



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: October 17, 2001 REPORT NO. 01-225

ATTENTION: Public Safety & Neighborhood Services Committee
Agenda of October 24, 2001

SUBJECT: Extension of Emergency Medical Services (EMS) Agreements

REFERENCE: City Manager Report 01-176, dated August 2, 2001
City Manager Report 01-114, dated May 31, 2001

SUMMARY

Issues: 1) Should the Public Safety and Neighborhood Services Committee approve the continuation of San Diego Medical Services Enterprise, Limited Liability Company (SDMSE) with Rural/Metro Corporation of San Diego, Inc. by extending the current agreement? 2) Should the Public Safety and Neighborhood Services Committee approve the extension of the agreement between SDMSE and the City to provide Emergency Medical and Medical Transportation Services from July 1, 2002 to June 30, 2005? 3) Should the Public Safety and Neighborhood Services Committee approve the extension of the agreements between SDMSE and the City (Fire and Life Safety Services) and SDMSE and Rural/Metro Corporation of San Diego, Inc. to finance and manage SDMSE? 4) Should the Public Safety and Neighborhood Services Committee approve the transfer of \$650,000 to SDMSE annually for the three years of the contract extension to subsidize the cost of emergency medical and medical transportation services? 5) Should the Public Safety and Neighborhood Services Committee approve the concept of a fund transfer to SDMSE annually for the three years of the contract extension to additionally subsidize the cost of emergency medical and medical transportation services as a direct result of the Federal Government's Medicare Fee Reimbursement Reduction?

Manager's Recommendation - 1) Approve the continuation of San Diego Medical Services Enterprise, Limited Liability Company (SDMSE) with Rural/Metro Corporation of San Diego, Inc. by extending the current agreement. 2) Approve the extension of the agreement between SDMSE and the City to provide Emergency Medical and Medical Transportation Services from July 1, 2002 to June 30, 2005. 3) Approve the extension of the agreements between SDMSE and the City (Fire and Life Safety Services) and SDMSE and Rural/Metro Corporation of San Diego, Inc. to finance and manage SDMSE.

4) Approve the transfer of \$650,000 to SDMSE annually for the three years of the contract extension to subsidize the cost of emergency medical and medical transportation services. 5) Approve the concept of a fund transfer to SDMSE annually for the three years of the contract extension to additionally subsidize the cost of emergency medical and medical transportation services as a direct result of the Federal Government's Medicare Fee Reimbursement Reduction.

Physicians Oversight Board Recommendation - Approve the extensions to the agreements to continue services currently provided by San Diego Medical Services Enterprise, L.L.C.

EMS Oversight Board Recommendation - Approve the extensions to the agreements to continue services currently provided by San Diego Medical Services Enterprise, L.L.C.

Other Recommendations - Fire Fighters Local 145 and the Municipal Employees Association, who were participants in these negotiations, also endorse these recommendations.

Fiscal Impact - Program subsidy costs would \$650,000 per year for the three years of the contract extension. SDMSE will split all profits equally between the City and Rural/Metro of San Diego, Inc. The City's expenses over the term of the original five year agreement and the three year extension shall be limited to an aggregate of \$8,450,000 (inclusive of the Annual Subsidy and any losses excluding Medicare Reimbursement Reduction Offset). Once such limit is reached, all excess losses shall be allocated to Rural/Metro.

Until the Medicare Fee Schedule is implemented, the actual fiscal impact of any documented losses will not be known. Based on analysis of Medicare claims, the estimated costs to the General Fund are estimated to be \$120,000 in the first year. Appropriation of these amounts will be included in future budget requests.

BACKGROUND

In 1996, the City Council directed the redesign of the City's Emergency Medical Services (EMS) System. The direction of the City Council was to design an EMS system which had three guiding principles: 1) maintain appropriate clinical quality, 2) deliver services in a cost-effective manner, and 3) to assure that the changes recommended were implementable. This redesign project resulted in a system which was configured to provide optimal EMS service to citizens while establishing fiscal viability. The EMS system design envisioned paramedic first responder fire engines and ambulances staffed with one paramedic and one emergency medical technician (EMT) working together to provide rapid service delivery, and a tiered dispatch system to maximize resources while partnering with managed care organizations.

The City of San Diego conducted a procurement process and awarded the medical transportation component to a bid submitted jointly by San Diego Fire and Life Safety Services (FLSS) and Rural/Metro Corporation. San Diego Medical Services Enterprise (SDMSE), a limited liability company was created between the City of San Diego and Rural/Metro of San Diego, Inc. There

are four specific components of the EMS system now in place: 1) the dispatch center where 9-1-1 calls are received and dispatch occurs; 2) the EMS medical transportation component is provided by SDMSE through four paramedic agreements (LLC Agreement, EMS Agreement, City Agreement and Rural Agreement); 3) the paramedic first responder component provided by FLSS engines, and 4) the medical oversight component through the agreement with the University of California, San Diego Medical Center for medical direction and oversight provided by Dr. James V. Dunford to ensure clinical quality of the entire system.

The regulatory oversight of paramedic services throughout the County of San Diego is the responsibility of the County of San Diego, EMS Division. The County has granted authority to the City to provide EMT-Paramedic services within the boundaries of the City through an agreement between the City and County of San Diego. The City/County EMS Agreement mandates the appointment of an individual to serve as liaison between the various agencies operating within the service area and to provide independent oversight of the EMS system. The administration and oversight of the Agreements with SDMSE, FLSS and the County are the responsibility of the EMS Program Manager, who is organizationally located in Financial and Management Services.

The current EMS system has been reviewed by the EMS Oversight Board and the Physician Oversight Board as required by the EMS Agreement (§ 2.2). The continuation of the services provided by SDMSE is highly recommended by both groups. In 1998, the County of San Diego, through its EMS Division, performed an audit of the entire EMS system in San Diego. This audit, required by the regulatory oversight delegated to the County by the State EMS Authority, found that the clinical quality assurance program and the clinical improvements made to the EMS system by SDMSE were “exceptional.” The County EMS Division is currently reviewing the response submitted by the City of San Diego to the County’s most recent audit process.

On August 8, 2001 the PS&NS Committee directed the Manager to work with representatives of San Diego Fire and Life Safety Services, SDMSE and Rural/Metro to negotiate terms and conditions of contract extensions and return to the committee with final contract language. The negotiations have proceeded with representatives from the City Manager’s office, FLSS, Rural/Metro Corporation, SDMSE, Fire Fighters Local 145 (Local 145), Municipal Employees Association (MEA), and the City Attorney’s office.

The negotiation sessions have resulted in consensus that the agreements should be approved under the following terms and conditions:

- TERM - All agreements will be extended for a period of three years ending June 30, 2005, with the option for an additional three year extension through June 30, 2008. This represents no change in the current agreements, which contemplated two three-year options to extend. Given revenue uncertainties, such as Medicare reimbursement reductions, the parties agreed it would be best to re-evaluate the program in three years.

- **SUBSIDY** - City shall pay SDMSE a subsidy of \$650,000 per year, for each year of the extension. This represents the continuation of the annual subsidy at the current level.
- **MEDICARE REIMBURSEMENT REDUCTION OFFSET:** City shall pay SDMSE an amount equal to the actual losses incurred as a direct result of the Federal Government's policy changes in Medicare reimbursement rates. Section 11.6.3 of the Rural Agreement currently provides for cost increases resulting from "other factors proved to the reasonable satisfaction of the City to have been beyond Fire/Paramedics' or Rural/Metro's control." SDMSE will request reimbursement for losses incurred and provide detailed documentation after each annual audit to the EMS Program Manager showing the exact impact of revenue reduction resulting from 9-1-1 transports of Medicare patients. At that time, retrospective payment of the Medicare impact would be submitted to the City Manager for approval. Until the Medicare fee schedule is implemented, estimated now to be January, 2002, the exact fiscal impact will not be known. Based on analysis of Medicare claims, the following chart reflects the estimated cost to be budgeted for reimbursement in the General Fund during the first three years.

Medicare Reimbursement Reduction Impact

FY 2003	FY2004	FY2005
\$120,000	\$360,000	\$600,000

- **AVERAGE PATIENT CHARGE:** An increase in the average patient charge billed to users of 9-1-1 for medical transportation to \$652.00 effective July 1, 2003. This increase is justified by the increasing costs of fuel, drugs and equipment required to provide quality service to the citizens of San Diego. This charge continues to provide the users of San Diego's 9-1-1 system costs lower than the average charge in California according to the California Ambulance Association.

SUMMARY

San Diego Medical Services Enterprise is a unique and successful provider of emergency medical services and medical transportation. The service provided to the citizens of San Diego far exceeds that of any prior EMS contractor. The unique blend of public and private philosophies combine to bring out the best of both service delivery types. The dedication of every employee, whether from Rural/Metro or San Diego Fire, is the primary reason the current EMS system is successful.

The current agreements (First Amended and Restated Agreements) will remain in full force and effect until July 1, 2002 when the Second Amended and Restated Agreements will go into effect. Through extensions of the various agreements, the EMS system in San Diego will continue to

improve the quality of care as well as to continue to keep San Diego's EMS system on the forefront of technology and improving clinical quality and skills.

ALTERNATIVE:

1. Do not accept the recommendations and direct the City Manager to continue negotiations to develop alternate contract language. This is not recommended based upon the fact that the recommended language has been agreed to by all parties, including unions representing the affected employees. SDMSE has exceeded the mandatory requirements in the current agreements for services, has provided a high level of service to citizens, and has made improvements in the EMS service delivery system. The Physician and EMS Oversight Boards have also unanimously endorsed the renewal of the current EMS agreements as a result of the quality of the service provided.

Respectfully submitted,

Patricia H. Nuñez
EMS Program Manager

Approved: Patricia T. Frazier
Deputy City Manager

NUÑEZ/PN

Note: The attachments are not available in electronic format. Copies of the attachments are available for review in the Office of the City Clerk.

- Attachments:
1. Second Amended and Restated Agreement L. L. C. Agreement
 2. Second Amended and Restated Agreement EMS Agreement
 3. Second Amended and Restated Agreement City Agreement
 4. Second Amended and Restated Agreement Rural Agreement